



INCOME FROM PROPERTY - a Summary

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RENTING TO RESIDENTS

For Portuguese tax, long-term property rentals to residents are included in *Category F*. On “*Anexo F*” of the IRS Individual Income Tax Return, declare your fiscal number, registration details of the property, the total amount of income as well as any deductible expenses. *Finanças* will add the net to other sources of income, such as pensions, bank interest, etc. Final tax is then calculated on total income at marginal rates or as an autonomous assessment at 28%.

Rental Contracts

When a rental agreement exceeds six months, a contract is required by law. With a proper contract, registered with *Finanças*, tenants are eligible for a housing tax credit, much the same as they would as if they were paying a mortgage.

Deductible Expenses

The main categories of deductible expenses which reduce notional or actual rental taxable income are:



- Maintenance, e.g., interior & exterior painting;
- Repairs, e.g., for plumbing or electrical systems;
- Condominium charges and collectively shared expenses such as: doorman & common area cleaning costs, building security;
- Rates (“*IMT*”) and other Municipal charges, such as sewage disposal, rubbish collection, etc.
- necessary expenses to conduct the letting activity.

Invoices (“*Facturas*”)

While you must be able to substantiate any amounts declared with proper invoices, these documents are not required at the time of submission. Portuguese law stipulates that all documents must be kept for the following 5 years in the event of a tax audit.

VAT

Rental Activity (Category F) is exempt from Value Added Tax.

LETTING AS LOCAL LODGING

If you let out furnished accommodations to holidaymakers on a short term basis, you are engaged in tourist related services (Category B) and should have already acquired a Local Lodging Licence. This type of activity receives special treatment under the “Simplified Regime” and is handled in the same way as “Sales”. In other words, you are only taxable on 20% of your invoiced income.

Local Lodging License

Before any short-term letting, you will need a Local Lodging license. Application is made via the Internet with the following information:

- Name, address & I.D. of the owner(s);
- Identification & location of the Property;
- Type of Property & occupancy capacity;
- Proof of legitimacy of Applicant.



The following documents may be requested:

- Habitation Licence;
- *Finanças* Property Book (“*Caderneta Predial*”)
- Terms of Responsibility for electrical and gas installations and others (if present);
- Technical drawings of property.

Registration

Before you start your independent business activity in Portugal, you must first register. This is done through the completion of an “*Início de Actividade*” form.

You will also need to register with Social Security at the local office. However, actual contributions only begin in the first month of the second year of your business activity.

VAT

Just like any other business, you must register for VAT. If your business income exceeds €10,000, you must collect VAT from your customers. Tourist related activities charge the lowest rate (currently 6%). Business expenses include 23% VAT, the highest rate. The difference between the two is either paid to the State or refunded to the taxpayer. Quarterly declarations must be done over the Internet and are in Portuguese only.

“*Recibos Verdes electrónicos*” (Green Receipts)

As in all business activities in Portugal, you are required to issue invoices to your clients. Mandatory receipts (“*Facturas Electrónicas*” must be issued digitally via the Internet.

“*IRS*” Income Tax

An annual “*IRS*” declaration must be filed in April or May following the fiscal year. The gross invoiced income is reported on *Anexo B* yet only 15% is considered when calculating the assessment.



LEASING TO HOLIDAY RESORTS

When you lease your property to a Holiday Resort or to a tourist operator, this is also considered to be a tourist activity (in this case, “*Locação Turística*”). While similar procedures exist as with Local Lodging, this tourist business activity is considered “rental” and taxed at 28%. Alternatively, income from leasing can be added to other sources and the total taxed at marginal rates. Like other rental activities, it is VAT exempt.

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